

ASSISTANCE LEAGUE OF LOS ALTOS
(A California Non-profit Public Benefit Corporation)

FINANCIAL STATEMENTS
AND
INDEPENDENT REVIEWER'S REPORT

May 31, 2015
(with comparative totals for 2014)

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Boman Accounting Group, Inc.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Board of Directors
Assistance League of Los Altos
(A California Non-profit Public Benefit Corporation)
Los Altos, California

We have reviewed the accompanying statement of financial position of the Assistance League of Los Altos (a California nonprofit public benefit corporation) as of May 31, 2015, and the related statements of activities, cash flows, and functional expenses for the year then ended, with comparative totals for 2014. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Accounting principles generally accepted in the United States of America require that the value of contributed rent be included in the financial statements. The Organization has been unable to determine the value of rent received as a contribution, and the accompanying financial statements do not include this contribution and the related rent expense. As a result of this departure, both contributions and rent expense are understated by the value of the contribution.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, with the exception of the matters described in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note H to the financial statements, Accounting principles generally accepted in the United States of America require that the value of contributed rent be included in the financial statements. The Organization has been unable to determine the value of rent received as a contribution, and the accompanying financial statements do not include this contribution and the related rent expense. As a result of this departure, both contributions and rent expense are under-stated by the value of the contributed rent received.

Boman Accounting Group, Inc.
Campbell, California
September 8, 2015

ASSISTANCE LEAGUE OF LOS ALTOS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION

May 31, 2015
(with Comparative Totals as of May 31, 2014)

	<u>2015</u>	<u>2014</u>
	Total	Total
ASSETS		
Cash and equivalents (Note B)	\$ 163,088	\$ 168,688
Certificates of deposit (Note C)	1,140,789	1,144,059
Inventory (Note A10)	21,396	13,209
Prepaid expenses	22,978	8,191
Property and equipment, net (Note D)	<u>673,081</u>	<u>742,557</u>
TOTAL ASSETS	<u>\$ 2,021,332</u>	<u>\$ 2,076,704</u>
 LIABILITIES		
Sales tax payable	\$ 1,047	\$ 1,633
Accrued expenses	30,143	488
Deferred dues revenue (Note A12)	<u>1,700</u>	<u>3,815</u>
TOTAL LIABILITIES	<u>32,890</u>	<u>5,936</u>
 NET ASSETS (Note E)		
Unrestricted	1,281,963	1,269,761
Temporarily restricted	<u>706,479</u>	<u>801,007</u>
TOTAL NET ASSETS	<u>1,988,442</u>	<u>2,070,768</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,021,332</u>	<u>\$ 2,076,704</u>

See accompanying notes and accountant's review report

ASSISTANCE LEAGUE OF LOS ALTOS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF ACTIVITIES

For the Year Ended May 31, 2015
(with Comparative Totals for the Year Ended May 31, 2014)

	Year Ended May 31, 2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUES				
Fundraising:				
Costume Bank Revenue:				
Rentals	\$ 99,255	\$	\$ 99,255	\$ 106,559
Sales	23,830		23,830	26,455
Other	1,714		1,714	1,760
Less: Cost of merchandise sold	(4,120)		(4,120)	(11,678)
Net revenue from special events	120,679		120,679	123,096
Program service revenue: HOME	702,484		702,484	492,396
Donations	30,948		30,948	31,877
Membership	5,530		5,530	1,205
Investment income (Note C)	11,919		11,919	11,838
Net assets released from restriction (Note F)	94,528	(94,528)	-	-
TOTAL SUPPORT AND REVENUES	966,088	(94,528)	871,560	660,412
EXPENSES				
Program Services				
HOME	832,296		832,296	618,718
Operation School Bell ®	2,936		2,936	389
Philanthropic	46,177		46,177	50,068
Total program service expenses	881,409		881,409	669,176
Supporting Services				
Fundraising - Costume Bank	41,818		41,818	38,106
Management and general	17,944		17,944	11,333
Membership development	12,715		12,715	2,738
Total supporting services expenses	72,477		72,477	52,178
TOTAL EXPENSES	953,886	-	953,886	721,354
CHANGE IN NET ASSETS	12,202	(94,528)	(82,326)	(60,942)
NET ASSETS AT BEGINNING OF YEAR	1,269,761	801,007	2,070,768	2,131,710
NET ASSETS AT END OF YEAR	\$ 1,281,963	\$ 706,479	\$ 1,988,442	\$ 2,070,768

See accompanying notes and accountant's review report

ASSISTANCE LEAGUE OF LOS ALTOS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF CASH FLOWS

For the year ended May 31, 2015
(with Comparative Totals for the Year Ended May 31, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (82,326)	\$ (60,942)
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation and amortization	164,004	155,542
Unrealized loss on investment	3,270	6,406
(Increase) decrease in operating assets:		
Inventory	(8,187)	(3,636)
Prepaid expenses	(14,787)	(2,785)
Increase (decrease) in operating liabilities:		
Accrued expenses	29,655	70
Sales tax payable	(586)	488
Deferred revenue	(2,115)	945
NET CASH PROVIDED BY OPERATING ACTIVITIES	88,928	96,088
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity of Certificates of Deposits	-	50,000
Purchase of Certificates of Deposits	-	(96,000)
Purchase of capital assets	(94,528)	(84,445)
NET CASH USED BY INVESTING ACTIVITIES	(94,528)	(130,445)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,600)	(34,357)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	168,688	203,045
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 163,088	\$ 168,688

See accompanying notes and accountant's review report

ASSISTANCE LEAGUE OF LOS ALTOS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended May 31, 2015
(with Comparative Totals for the Year Ended May 31, 2014)

	Program Services				Supporting Services				2015 Total Expenses	2014 Total Expenses
	HOME Apartments	Operation School Bell	Philanthropic	Total Program	Costume Bank	Management & General	Membership Development	Total Supporting		
Labor costs	\$ 166,682			\$ 166,682	\$ 21,160			\$ 21,160	\$ 187,842	\$ 153,961
Program supplies	4,078	2,936	17,550	24,564				-	24,564	35,971
Postage and printing	263		2,138	2,401			106	106	2,507	1,062
Professional fees	6,899			6,899		11,848		11,848	18,747	33,353
Advertising	29		4,622	4,651				-	4,651	10,369
Donations				-				-	-	500
NAL dues and fees				-			1,780	1,780	1,780	515
NAL convention/meetings				-			8,160	8,160	8,160	6,160
Office supplies	-			-				-	-	8,771
Costumes and material				-	5,903			5,903	5,903	431
Bank charges				-	3,791	188		3,979	3,979	3,728
Taxes and license				-		331		331	331	462
Miscellaneous	57		37	94	1,121	55		1,176	1,270	115
Membership support				-			1,567	1,567	1,567	350
Hospitality	4,150		23	4,173	10		1,102	1,112	5,285	5,649
Occupancy										
Utilities	112,654		3,637	116,291	2,116			2,116	118,407	124,713
Repairs and maintenance	43,897		14,426	58,323	3,609			3,609	61,932	58,726
Insurance	35,082			35,082	1,131	5,522		6,653	41,735	32,316
Cleaning and maintenance	35,691			35,691	5,538			5,538	41,229	51,924
Gardening	5,129			5,129				-	5,129	2,860
Operating costs	253,681			253,681				-	253,681	41,302
Property taxes			2,229	2,229				-	2,229	2,210
Telephone			1,515	1,515	1,559			1,559	3,074	2,042
Depreciation	164,004			164,004				-	164,004	155,542
Total expenses	832,296	2,936	46,177	881,409	45,938	17,944	12,715	76,597	958,006	733,032
Less expenses included with revenue on statement of activities	-	-	-	-	4,120	-	-	4,120	4,120	11,678
TOTAL EXPENSES PER STATEMENT OF ACTIVITIES	\$ 832,296	\$ 2,936	\$ 46,177	\$ 881,409	\$ 41,818	\$ 17,944	\$ 12,715	\$ 72,477	\$ 953,886	\$ 721,354

See accompanying notes and accountant's review report

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Chapter's significant accounting policies applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

ASSISTANCE LEAGUE OF LOS ALTOS (the Chapter) is a California nonprofit public benefit corporation and is a chartered chapter of National Assistance League. The Chapter derives the majority of its revenues from costume rentals and sales along with donations from unaffiliated donations and grants received from unaffiliated groups. The Chapter provides the following philanthropic programs to the community:

HOME (Housing of Medical Emergencies) -

- Provide affordable housing for Stanford Hospital patients and their families or caregivers. This facility consists of fully furnished apartments adjacent to the hospital on the University's grounds. Various forms of entertainment and gifts are supplied during the year by the member volunteers along with Assisteens.

Operation School Bell® -

- Provide necessary school supplies to students in need.
- *Foster Care Enrichment Program* – Entertain and enrich the lives of foster care children in the area, providing birthday cards and gifts, and a holiday party. Children exiting the foster program and going to college receive a laptop computer to help with their studies.

Other Philanthropic Programs –

- *Hug a Bear* – Teddy bears distributed within MCAH and CDFP Programs of Santa Clara County Public Health Department to children in crisis.
- *Baby Bundles* – Supplying clothing, homemade blankets, diapers, books, toys and equipment to babies newborn to 2 years in need through Santa Clara County Public Health Department Nurse Family Partnership Program.

2. Basis of Accounting

The financial statements of the Chapter have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

3. Basis of Presentation

The financial statement presentation follows the recommendations of the FASB *Accounting Standards Codification*, Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958-210, the Chapter is required to report information regarding its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There are currently no permanently restricted net assets.

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Chapter's financial statements for the year ended May 31, 2014, from which the summarized information was derived.

5. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

6. Fair Value Measurements

The Chapter follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. The guidance establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair values into Levels 1, 2, and 3.

Level 1 inputs consist of unadjusted quoted prices in active markets for identical instruments and have the highest priority. Level 2 inputs include quoted prices for similar instruments in active markets, quoted prices or identical or similar instruments in markets that are not active, or inputs other than quoted prices that are directly or indirectly observable. Level 3 inputs are unobservable and are given the lowest priority.

For purpose of financial reporting, the Chapter has determined that the fair values of its financial instruments, which include cash equivalents and certificates of deposit, approximate the carrying values under Level 1 at May 31, 2015 and 2014 based on their short maturities and/or the terms available to the chapter in financial markets.

7. Cash and Cash Equivalents

For purposes of the statement of financial position and statement of cash flows, the Chapter considers all highly liquid investments which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Certificates of Deposit (Investments)

The Chapter carries investments in Certificates of Deposits with various maturity terms. Investment income is reported as unrestricted revenue.

9. Concentration of Credit Risk

Financial instruments that potentially expose the Chapter to concentrations of credit and market risk consist primarily of cash, cash equivalents and certificates of deposit. Cash, cash equivalents and certificates of deposit are maintained at high-quality financial institutions and accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At May 31, 2015, the Chapter's insured balances at these institutions total \$1,303,877. The Chapter has not experienced any losses on its cash, cash equivalents, or certificates of deposit.

10. Inventories

The Chapter maintains an inventory primarily comprised of costume accessories. Inventory is stated at the lower of cost or market and is determined by the first-in, first-out method. Inventory on hand at May 31, 2015 and 2014 was estimated to be \$21,396 and \$13,209, respectively.

11. Property and Equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets generally as follows: Building and improvements, from 7 to 30 years; and furniture and equipment, from 3 to 10 years.

12. Deferred Dues Revenue

Membership dues and program service fees collected prior to the fiscal year to which they apply are deferred and recognized over the periods to which the dues and fees relate.

13. Advertising

The Chapter's policy is to expense advertising costs as the costs are incurred. Advertising expenses for the year ended May 31, 2015 and May 31, 2014 was \$4,651 and \$10,369, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

15. Donated Services

A significant portion of the Chapter's functions and programs are conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the services do not require specialized skills. During the year ended May 31, 2015, these volunteers donated approximately 15,784 hours with an estimated value of \$367,136. This value was computed using an estimated hourly rate of \$23.26 based upon the average hourly earnings of nonagricultural workers for the fiscal year ended May 31, 2015 as determined by the U.S. Department of Labor's Bureau of Labor Statistics, plus 12% estimated fringe benefits.

16. Income Taxes

The Chapter is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Chapter qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Chapter in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

The Chapter files information returns with the U.S. federal jurisdiction and state of California. The Chapter's federal returns for the years ended May 31, 2012 and beyond remain subject to possible examination by the Internal Revenue Service. The Chapter's California returns of the years ended May 31, 2011 and beyond remain subject to possible examination by the Franchise Tax Board.

ASSISTANCE LEAGUE OF LOS ALTOS
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

17. Allocation of Shared Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at May 31, 2015 and May 31, 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Philanthropic Fund		
Smith Barney – Money Market Fund	26,650	23,433
Heritage Bank – Checking	4,766	11,090
Heritage Bank – Savings	7,556	45,027
Heritage Bank – Ecommerce	12,584	9,539
Subtotal	<u>51,556</u>	<u>89,089</u>
HOME (Home of Medical Emergencies)		
Smith Barney – FMA cash fund	49,675	37,823
Heritage – Savings	8,376	-
Bank of America checking account	48,873	36,374
Subtotal	<u>106,924</u>	<u>74,197</u>
Assisteens – Heritage Bank	4,357	5,151
Total cash in financial institutions	<u>162,837</u>	<u>168,437</u>
Cash on hand	251	251
Total Cash and Cash Equivalents	<u>\$ 163,088</u>	<u>\$ 168,688</u>

ASSISTANCE LEAGUE OF LOS ALTOS
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

NOTE C – CERTIFICATES OF DEPOSIT

Investments are stated at fair value and consist of the following at May 31, 2015 and May 31, 2014:

	2015	2014
Philanthropic:		
Smith Barney – Certificate of Deposit	\$ 316,296	316,757
HOME (Home of Medical Emergencies)		
Smith Barney – Certificate of Deposit	824,493	827,302
Total Investments	<u>\$ 1,140,789</u>	<u>\$ 1,144,059</u>

Investment Income for May 31, 2015 and 2014 consisted of the following:

	2015	2014
Interest Income	\$ 15,189	\$ 18,244
Unrealized gain/(loss) on Investment	(3,270)	(6,406)
Total Investment Income	<u>\$ 11,919</u>	<u>\$ 11,838</u>

NOTE D – PROPERTY AND EQUIPMENT

Property and Equipment at May 31, 2015 and May 31, 2014 consist of the following:

	2015	2014
Land	\$ 55,096	\$ 55,096
Leasehold improvements	4,381,045	4,381,045
Building	23,600	23,600
Building improvements	203,704	125,145
Furniture and equipment	835,533	819,564
Total cost	<u>5,498,978</u>	<u>5,404,450</u>
Less accumulated depreciation	4,825,897	4,661,893
Total Property and Equipment	<u>\$ 673,081</u>	<u>\$ 742,557</u>

Depreciation expense for the years ended May 31, 2015 and May 31, 2014 totaled \$164,004 and \$155,542, respectively.

ASSISTANCE LEAGUE OF LOS ALTOS
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

NOTE D – PROPERTY AND EQUIPMENT (Continued)

The HOME (Home of Medical Emergencies) Apartments were constructed using third-party grants in association with Leland Stanford Junior University on land owned by the University. In 1984, the Chapter was given a 51 year leasehold interest in real estate provided they agreed to manage and maintain the property. This lease is renewable by mutual consent of both parties. In the event the leasehold is not renewed, the entire property reverts to the University.

NOTE E – NET ASSETS

At May 31, 2015 and May 31, 2014, net assets were comprised of the following:

	2015	2014
Unrestricted net assets:		
Designated by Board of Directors:		
Building and expansion	\$ 0	\$10,000
HOME apartments	150,000	242,700
Operation School Bell	0	1,750
Other	0	8,500
Costume Bank	0	21,100
Designated for future operating needs (as required by financial policy of National Assistance League)	688,775	656,650
Total Board-Designated Net Assets	838,775	940,700
Undesignated	443,188	329,061
Total Unrestricted Net Assets	1,281,963	1,269,761
Temporarily restricted net assets:		
Investment in HOME apartments	706,479	801,007
Total temporarily restricted net assets	706,479	801,007
 Total Net Assets	 \$1,988,442	 \$2,070,768

ASSISTANCE LEAGUE OF LOS ALTOS
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

NOTE F – NET ASSETS RELEASED FROM RESTRICTION

Net Assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose as follows:

	<u>2015</u>	<u>2014</u>
Purpose Restriction:		
HOME (Home of Medical Emergencies)	\$ 94,528	\$ 61,172
Total Net Assets Released from Restrictions	<u>\$ 94,528</u>	<u>\$ 61,172</u>

NOTE G – SUBSEQUENT EVENTS

Assistance League of Los Altos has evaluated events subsequent to May 31, 2015, to assess the need for potential recognition or disclosures in the financial statements. Such events were evaluated through September 8, 2015, the date these financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

NOTE H – DEPARTURE FROM GAAP

As explained in Note D, the Chapter's HOME apartments were constructed on land owned by Stanford University which may be leased from the University for 51 years without payment of rent. This below market value leasehold interest is an asset that under generally accepted accounting principles in the United States of America (GAAP) should be reported at its discounted present value in the statement of financial position, with a corresponding deferred rent liability. Each year the lease is in effect, revenue should be recognized for the estimated fair value of the contributed rent, with an offsetting amount for rent expense. ALLA has not reported the asset, liability, revenue or expense related to its below market land lease and management is unable to estimate the impact of these departures from GAAP on the accompanying financial statements.